WASHINGTON (February 23) - Congressman Spencer Bachus' work as Financial Services Committee Chairman to reform Fannie Mae and Freddie Mac and to challenge the creation of a vast new federal bureaucracy to control personal financial decisions was featured on Fox News and in a Weekly Standard report by Fred Barnes.

The written articles along with links are available below.

SHATTERED DREAMS: The End of Fannie and Freddie

By James Rosen

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To view Fox News report on Congressman Bachus YouTube site, click here.

They date back decades, with their roots in the Great Depression. As with anything else that has been around for so long, their mere existence, in an ever-changing world, brings some measure of comfort – and their failure instills terrifying uncertainty about what could possibly replace them.

So it is with Fannie Mae and Freddie Mac, the government-created private firms that together guarantee an estimated 90 percent of all new home mortgages in the United States.

Across the last seventy years and thirteen presidencies, the two firms have helped countless Americans secure long-term, fixed-rate mortgages, by purchasing them from lenders and securitizing them, all with the unofficial guarantee of the federal government backing them up. But the two saw their own corporate finances collapse, two years ago, amid the housing and credit crisis.

Now, they are under conservatorship, a federal bailout that has so far cost U.S. taxpayers more than $150 billion, and a reform plan unveiled by the Obama administration earlier this month calls for their dismantlement.

“We need to wind down Fannie-Freddie and substantially reduce the government's footprint in the housing market,” Treasury Secretary Tim Geithner told an audience at the Brookings Institution in Washington on February 11. “And that's a process that has to happen gradually, because they are now the dominant source of housing finance, and we want to be careful that that process happen in a way that doesn't interfere with, or impede, the process of repair in the housing market.”

The administration plan sets forth several options for Congress to choose from, but all of them would dramatically reduce the role of the federal government in housing finance, from one of loan guarantor to that of watchdog.

The administration has told Congress that it is “committed to ensuring that Fannie Mae and Feddie Mac have sufficient capital to perform under any guarantees issued now or in the future,” and has suggested that the federal government will still provide some “targeted assistance” for low- and moderate-income home buyers and renters. Still, a joint report issued by the Treasury Department and the Department of Housing and Urban Development also cautioned that private markets, going forward, “will be the primary source of mortgage credit and bear the burden for losses.”

The Federal Housing Administration (FHA) would survive under the administration’s plan, but would see its market share, historically at 10 to 15 percent and now cresting at 30 percent, shrink considerably. Among the proposals put forward by Secretary Geithner and HUD Secretary Shaun Donovan has a plan to raise the price of FHA mortgage insurance.

Rep. Spencer Bachus, R-Ala., chairman of the House Financial Services Committee, greeted the administration plan with mixed feelings.

“It's a laundry list… They are sort of just giving some suggestion,” Bachus told FOX News. “But there was common ground. The common ground was that we need to get the government out of the mortgage market and put the private market back in…They moved towards a private market. They moved towards a comprehensive solution, as opposed to just focusing on Freddie or Fannie. You can't deal with (them) in isolation; you have to have comprehensive housing reform, and that includes the private market, that includes FHA, as well as Freddie and Fannie."

A senior Democrat on the committee, Rep. Luis Guttierez of Illinois, also greeted the administration proposal warily.

"Freddie and Fannie were not instrumental in the debacle in the finacial crisis," he told FOX News. "There's no denying it: We gave mortgages in America to people who had terrible credit histories, who had no down-payment, that didn't have a good, solid work history, that really shouldn't have been given a mortgage. Fannie and Freddie competed for some of those mortgages. They were they part of the problem, yes, but the private sector was five times as irresponsible as they were….Let's make sure that we're not going to be making a mistake by shutting everything down because we made some mistakes in the past."

Barry Zigas, director of housing policy at the Consumer Federation of America, said the federal bailout of Fannie and Freddie has worked as intended.

"The conservatorship has been a tremendous help in stabilizing the decline of the housing market, and has been one of the key reasons that the housing market has not crashed further, and one of the reasons many homeowners have been able to hold on to their homes ….Private banks are not willing to make loans unless they can sell them into securities that are backed by these two companies. So the government stepping into this was a critical means of halting the panic that had infected the system as these private-label securities, with unsafe products, began to melt down."

All sides appear to agree that the country will witness a sizable scaling back of the number and percentage of Americans who become homeowners. As Bachus put it: "We went too far, allowed people to get loans they couldn't afford. There's nothing worse than putting someone in a loan they can't pay. And it is a shattered dream."

Regulator in Chief

The unchecked, unelected, unaccountable Elizabeth Warren

By Fred Barnes

Weekly Standard, February 28, 2011

To view magazine article, click here.

The Consumer Financial Protection Bureau (CFPB) is forgotten but not gone. It's housed, quietly and temporarily, in the Treasury Department as it prepares to become an official, stand-alone federal agency on July 21. The CFPB is hiring. It already has an acting director, an enforcement chief, and a growing staff. They're eager to come to the aid of borrowers and credit card holders.

Despite its angelic image, the CFPB won't be a nice little regulatory agency. It will be powerful, hard-nosed, and unaccountable. It will decide its own budget without the obligation of asking Congress for money. It will have no governing board, only a director whose rulings can't be vetoed. It will be almost impossible to challenge those rulings successfully in court.

The bureau, created by the Dodd-Frank legislation that revamped regulation of the financial industry last year, is a favorite of President Obama. And, like his health care law, it perfectly reflects his view of how government should work: It gives enormous authority to unelected bureaucrats in Washington. Administration officials were reported to have high-fived when it became clear the bureau would be part of Dodd-Frank.

Republican Spencer Bachus of Alabama, chairman of the House Financial Services Committee and a sharp critic, says the bureau won't be like an efficient private sector company (his examples are Costco, Amazon, and Southwest Airlines) but rather like Amtrak, the government-run passenger rail line. "If you like TSA at the airport," he adds, "you'll love these guys."

The new agency was the brainchild of Elizabeth Warren, a Harvard law professor who proposed it in an influential article in 2007. She argued that consumers are protected when they buy “tangible consumer goods” like toasters, but when they purchase “credit products”—loans of various types—they’re at the mercy of often-unscrupulous lenders.

Her model for the CFPB, Warren wrote, is the Consumer Product Safety Commission. But there are critical differences between the two. The commission is a traditional regulatory agency funded by Congress and thus accountable to Congress. The bureau is authorized to receive up to 10 percent of the operating budget of the Federal Reserve (or as much as $500 million), which raises its own funds. It will be loosely part of the Fed, but not subject to the Fed’s authority.

Another important difference is what the bureau is empowered to target. For decades, “unfair or deceptive acts or practices” have been subject to federal jurisdiction. But for the CFPB, the word “abusive” was added. This means it can go after financial products that aren’t deceptive and the terms of which are fully understood by borrowers. And the bureau will define what is abusive and what isn’t.

When the CFPB began its planning stage last fall, the White House was expected to nominate Warren as director. But she is a controversial figure on Capitol Hill, loved by Democrats, but feared as a regulatory zealot by Republicans. Rather than face a tough confirmation struggle, the president made her a presidential assistant, a kind of “director without portfolio,” as one journalist put it.

For the bureau to be fully empowered in July, it must be headed by a Senate-confirmed director. This poses a problem for Obama. Warren is probably unconfirmable, given Republican opposition. That leaves the president with two choices: either give Warren a recess appointment through the end of 2012 or nominate someone else.

A recess appointment carries its own risks. “It would be dangerous to the American economy if Elizabeth Warren were put in that job by a recess appointment, thwarting the will of Congress,” Senator Richard Shelby of Alabama told me. As ranking Republican on the Senate Banking Committee last year, he strongly opposed the CFPB. She would be “accountable to no one,” Shelby says.

But Warren isn't the problem. Any director of the bureau would be unaccountable. The real problem is the breadth of power that Dodd-Frank gave the CFPB. Senator Bob Corker of Tennessee sought, unsuccessfully, to reduce its reach in negotiations with then-banking committee chairman Chris Dodd of Connecticut.

"Its powers are very, very vast," Corker says. "Who in the world would consider it appropriate to have one person appointed—one person!—to set the rules for the entire financial industry. It's a tremendous overreach. It's incredible to think about."

Republicans have offered several alternatives to the CFPB. Corker favored beefing up the power of existing regulators to crack down on lenders. Bachus wants to turn the bureau into a commission with a board and funding by Congress.

Neither is likely to pass this year. But House Republicans took a swipe at the CFPB by limiting what it can spend to $80 million—Obama wanted $134 million—as it gears up for its July launch. So while the media have largely ignored the new agency, at least a few Republicans haven't forgotten how much they dislike it.